

REPORT TO AUDIT COMMITTEE – 14 DECEMBER 2017

BUDGET REVIEW GROUP TASK FORCE – INTERNAL AUDIT REPORT 1720 CREDITORS PAYMENTS

1 Recommendations

The Committee is recommended to:

- 1.1 **Acknowledge the progress in implementing the Budget Review Task Force Action Plan, attached as Appendix 1.**
- 1.2 **Acknowledge the actions will be officially signed off as Directors confirm these are implemented within their service.**

2 Background / Discussion

- 2.1 This report provides an update against the action plan approved by SLT on 16 November 2016 which was in response to the recommendations set out in the Internal Audit Report 1720 on Creditors Payments.
- 2.2 The recommendations of the audit report were:
 - 2.2.1 The Council should review spend with all suppliers and determine whether this is subject to an appropriately tendered and approved contract. (Major at a Corporate Level.)The published Contracts Register should be updated with the findings. (Significant within audited area.)
 - 2.2.2 Where an EU compliant procurement route is required, this should be prioritised and tendering undertaken as soon as is practical. (Major at a Corporate Level.)
 - 2.2.3 Where another procurement route is required this should be progressed using a risk based approach. (Major at a Corporate Level.)
 - 2.2.4 A project plan should be developed and put in place to manage the above recommendations and this should be monitored at an appropriate level within the Council. (Significant within audited area.)
 - 2.2.5 Where authority to award contracts is delegated by Committee a central record of approvals should be maintained. (Important within audited area.)
- 2.3 The above recommendations were used as a basis for completing the action plan, and SLT added additional recommendations. The action plan was reported to Policy and Resources Committee in January 2017 and Audit Committee in February 2017. Within the report was the commitment to the plan being monitored regularly by the Budget Review Group with updates being reported to Strategic Leadership Team four monthly by the Director of Business Services.

While Services have been consulted on, and are supportive of the action plan, the Budget Review Group has developed into the Budget Strategy Group, with a clear remit to support the work towards setting future years' budgets. Services will continue to be engaged with the action plan through the original members of the cross-service working group on this and also through updates to SLT.

- 2.4 The updated action plan which is attached at Appendix 1 confirms the steps taken to address the issues identified. Key points to note:
 - 2.4.1 A number of the objectives have been resolved as a result of the new scheme of governance;
 - 2.4.2 Services have identified the need for further training to provide clarity and understanding on the procurement process for those using it operationally;
 - 2.4.3 Commercial & Procurement Services have confirmed training will be available with regard to procurement procedures from November 2017 to February 2018.
 - 2.4.4 In order for the actions to be officially signed-off as satisfying the recommendations of 'Internal Audit report 1720 Creditors Payments', Directors will confirm in writing or by way of the minutes of SLT, that the actions have been implemented within their service.
 - 2.4.5 Updates to the action plan will be input into Covalent by Business Services Support Service team.
- 2.5 The Head of Finance and the Monitoring Officer within Business Services have been consulted and have no comments to make.

3 Scheme of Governance

- 3.1 The Committee is able to take a decision on this item in terms of Sections G.1.1.d, G.1.2.1 and G.1.2.2 of the list of Committee Powers in Part 2A of the Scheme of Governance as the Committee is responsible for internal audit matters and reviewing the adequacy of internal control systems and policies and practices employed to ensure compliance with relevant statutes, directions, guidance and policies.

4 Implications and Risk

- 4.1 An equality impact assessment is not required because as this relates to internal Financial Regulation processes and does not have a differential impact on any of the protected characteristics.
- 4.2 There are no staffing and financial implications.

- 4.3 The following Risks have been identified as relevant to this matter on a Corporate Level: ACORP009 Operational Risk Management – review of previous actions ensures that areas highlighted by the Committee for attention are appropriately addressed.

Ritchie Johnson
Business Services

Report prepared by Lorraine MacLeod, Strategic Change Leader
Date 10 November 2017

CREDITORS PAYMENT ACTION PLAN

	RECOMMENDATION/OBJECTIVE	SERVICE RESPONSE/UPDATE – DECEMBER 2017	ACTION (as agreed with Internal Audit)
<p>1. The Council should review spend with all suppliers and determine whether this is subject to an appropriately tendered and approved contract. (Major at a Corporate Level.) The published Contracts Register should be updated with the findings. (Significant within audited area.)</p>	<p>New procurement arrangements under the Scheme of Governance implemented in January 2017 require each Service to produce an annual Work Plan to committee. Each Directorate has reported their 2017/18 Work Plans to their service committee. New governance arrangements under the scheme will ensure that all contracts included in the Work Plan are tendered and awarded in compliance with the new financial regulations. A full suite of guidance and templates is also available on Arcadia for services to ensure consistent practice. This also includes a generic email address for C&PS for services to obtain, advice and guidance or submit queries. Currently the Contracts Register is maintained by C&PS, training is being delivered during November to relevant officers which will enable services to monitor and maintain the Register for contracts within their remit.</p>	<p>C&PS has confirmed that all the high spend areas and business critical areas have been reviewed and confirmed to be appropriately tendered and on contract. This equates to around 80% of spend commissioned through suppliers. Work continues to deal with the remaining 20% - a further update on which will be provided for the next meeting. It is recognised this has taken longer than originally envisaged (March 2017), however significant progress has now been made.</p>	
<p>2. Where an EU compliant procurement route is required, this should be prioritised, and tendering undertaken as soon as is practical. (Major at a Corporate Level.)</p>	<p>A full suite of guidance and templates is available on Arcadia (refreshed by end Nov). The guidance notes relating to the requirement to produce a business case, contains links to C&PS Procurement Guidance Notes. The Scheme of Governance provides delegated authority to the Director of</p>	<p>Directors to confirm by 31 January 2018 that EU tenders have been scheduled / progressed for all contracts exceeding the relevant thresholds.</p>	

		<p>Business Services to approve the lead service for procuring cross-area and cross-service expenditure. (Section A.7 of Part 2B List of Officer Powers).</p>	
<p>3.</p>	<p>Where another procurement route is required this should be progressed using a risk based approach. (Major at a Corporate Level.)</p>	<p>The Scheme of Governance provides clarity in terms of the authorisation process for any alternative procurement requirements. The Head of Commercial and Procurement Services has delegated authority to determine procurement routes (Section D.2.5 of Part 2B List of Officer Powers). The risk is mitigated by the procuring officers complying with the requirements of the Scheme of Governance.</p>	<p>Head of Commercial & Procurement Services to confirm that sourcing strategies have been developed for all relevant expenditure. Target date 31 March 2018.</p>
<p>4.</p>	<p>The requirement in Financial Regulations to record contract and/ or Committee approval details should be complied with. Where orders do not have this information they should not be authorised.</p>	<p>A temporary fix is available within iProc and can be implemented as mandatory within iProc once the BOrganised training has been delivered. Finance can make this change available from 1 January 2018. The new financial ledger system will have a mandatory field ensuring contract references are provided prior to authorisation by the approving managers.</p>	<p>BOrganised training took place in November 2017. Work to develop the temporary fix in iProc has commenced and will be complete and in place by 31 December 2017.</p>
<p>5.</p>	<p>Where authority to award contracts is delegated by Committee a central record of approvals should be maintained. (Important within audited area.)</p>	<p>Each Directorate Work Plan will provide a record of the procurement approval process which includes approval of the Work Plan, Business Case, Award Report and date contract put onto contract register. Training on how to update and upload documents to BOrganised is being delivered by C&PS during November. There is a facility in BOrganised to attach all approval records.</p>	<p>The Work Plan template is currently under review and will include this additional information. These revised templates will be available by end of November 2017. BOrganised training took place during November 2017.</p>
<p>6.</p>	<p>Services should ensure that they comply with the council's governance procedures relating to procurement.</p>	<p>Every Service has appointed Service Champion(s). The GOTT group is monitoring implementation of the Scheme of Governance including the mandatory</p>	

		<p>procuring officer training to be delivered by C&PS by 31 November 2017. The GOTIT group has held workshops with services on the new procurement process and are revising and updating the suite of guidance and template documents to provide clarity and consistency and this guidance is to be used by officers as part of the procurement process. C&PS are responsible for delivering procuring officer training and that is currently under development to be completed by end November 2017. There is an intention to provide that training electronically and that should assist with monitoring completion of the training in future.</p>	<p>The training has now been delivered and this action is complete.</p>
<p>7. Services should identify those areas with the highest incidence of purchase orders being raised retrospectively and ensure that training is provided as necessary to improve performance (Major at a Service Level). Management should monitor performance of the above on a regular basis (Significant within audited area)</p>	<p>The new procurement requirements and the procuring officer training to be delivered by C&PS by end November 2017 should reinforce the requirement for POs to be raised timeously and reduce occurrences of retrospectively raising POs reducing breaches of financial regulations.</p> <p>During January 2018, Finance will make reports accessible to services and encourage them to actively review, monitor and take action to improve and reduce instances of retrospective POs.</p>	<p>The training has been delivered and included the need to timeously raise POs.</p> <p>A process will be in place by end of December 2017 for services to take the necessary action.</p>	

